

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2008-307-C - ORDER NO. 2008-802  
NOVEMBER 25, 2008

IN RE: Application of Sage Spectrum, LLC for a	)	ORDER GRANTING
Certificate of Public Convenience and	)	CERTIFICATE AND
Necessity to Provide Resold and Facilities-	)	APPROVING FLEXIBLE
Based Local Exchange, Access, and	)	AND MODIFIED
Interexchange Telecommunications Services	)	ALTERNATIVE
in South Carolina and for Alternative and	)	REGULATION
Flexible Regulatory Treatment	)	

This matter comes before the Public Service Commission of South Carolina (“Commission”) by way of the Application of Sage Spectrum, LLC (“Sage” or “the Company”) requesting a Certificate of Public Convenience and Necessity authorizing it to provide resold and facilities-based local exchange, access, and interexchange telecommunications services within the State of South Carolina. The Company’s Application was filed pursuant to S.C. Code Ann. §58-9-280 (Supp. 2007) and the rules and regulations of the Commission. By its Application, the Company also requests flexible regulation of its local exchange service offerings pursuant to Order No. 98-165 in Docket No. 1997-467-C, modified alternative regulation of its interexchange services consistent with Commission Orders, and waiver of certain Commission regulations.

The Commission’s Docketing Department instructed the Company to publish, one time, a Notice of Filing in newspapers of general circulation in the areas of the state affected by the Application. The purpose of the Notice of Filing was to inform interested

parties of the Company's Application and of the manner and time in which to file the appropriate pleadings for participation in the proceeding. The Company complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. A Petition to Intervene was filed by the South Carolina Telephone Coalition ("SCTC"). Subsequent to the intervention, the Company and SCTC reached a Stipulation, attached hereto as Order Exhibit 1. Subsequently, the Company and ORS filed a Settlement Agreement attached hereto as Order Exhibit 2.

A hearing was convened on November 3, 2008, at 10:00 a.m. in the offices of the Commission in Columbia, South Carolina, before the appointed Hearing Examiner, B. Randall Dong, Esquire. The Company was represented by Bonnie D. Shealy, Esquire. The Office of Regulatory Staff ("ORS") was represented by Shealy Boland Reibold, Esquire. The South Carolina Telephone Coalition did not appear at the hearing.

Andrew Karl, Regulatory Compliance Manager of Sage Telecom, Inc. ("Sage Telecom") testified in support of the Company's Application. The Company will operate pursuant to a Management Agreement with Sage Telecom. The record reveals that the Company is a limited liability company organized under the laws of the State of Delaware and that it is registered to transact business in South Carolina as a foreign limited liability company. According to Mr. Karl, the Company seeks authority to offer all forms of resold and facilities-based local services and interexchange services. Mr. Karl explained the Company's request for authority, and the record further reveals the Company's services, operations, and marketing procedures. The Company intends to offer basic local exchange services, custom calling features, interexchange toll services,

including toll free services, and prepaid local and long distance service to business and residential customers. The Company will also provide access services to businesses and enterprise customers. Since the Company will operate pursuant to a Management Agreement with Sage Telecom, Mr. Karl discussed Sage Telecom's technical, financial, and managerial resources to provide the services for which it seeks authority. Mr. Karl offered that the Company possesses sufficient financial resources to support its operations in South Carolina.

With regard to management and technical capabilities, the Company's Application and Mr. Karl's testimony both evidence that Sage's South Carolina operations will be directed by Sage Telecom's existing corporate management, and they have extensive experience in telecommunications, information technology, regulatory matters, and accounting and finance. Mr. Karl also testified that the Company will operate in accordance with Commission rules, regulations, guidelines, and Commission Orders. Mr. Karl stated that approval of the Company's Application would serve the public interest. The Company requests a waiver of 26 S.C. Code Ann. Regs. 103-610, since the Company's books are maintained in Texas. Further, the Company requests an exemption from record keeping policies that require maintenance of financial records in conformance with the Uniform System of Accounts ("USOA"). The Company maintains its books in accordance with Generally Accepted Accounting Principles ("GAAP"). In addition, the Company requests that it not be required to publish local exchange directories and therefore requests waiver of 26 S.C. Code Ann. Regs. 103-631. The Company also requests a waiver of the requirement to file operating maps with the

Commission pursuant to 26 S.C. Code Ann. Regs. 103-612.2.3, since the Company intends to offer its services statewide.

After consideration of the applicable law, the Company's Application, and the evidence presented at the hearing, the Commission hereby issues its findings of fact and conclusions of law:

**FINDINGS OF FACT**

1. The Company is organized under the laws of the State of Delaware as a limited liability corporation and is authorized to do business as a foreign limited liability corporation in South Carolina by the Secretary of State.
2. The Company desires to operate as a provider of facilities-based and resold local and interexchange services in South Carolina.
3. We find that the Company possesses the managerial experience and capability to operate as a provider, through resale or on a facilities basis, of local services and interexchange services in South Carolina.
4. We find, based on the financial statements submitted by the Company and the testimony at the hearing, that the Company possesses sufficient financial resources to provide the services as described in its Application and testimony.
5. We find that the issuance of a Certificate of Public Convenience and Necessity to the Company to operate as a facilities-based and/or reseller of local exchange telecommunications and interexchange services in South Carolina would be in the best interest of the citizens of South Carolina by providing more innovative services.

6. The Company requests a waiver of 26 S.C. Code Ann. Regs. 103-610. The Commission finds the Company's requested waiver reasonable and understands the potential difficulty presented to the Company should the waiver not be granted. Further, we find that a waiver of 26 S.C. Code Ann. Regs. 103-610 to be in the public interest. We also believe that exemption from the policies that would require the Company to keep its records under the USOA is reasonable. Additionally we find that waivers of 26 S.C. Code Ann. Regs. 103-631 and 103-612.2.3 are reasonable and in the public interest.

7. The Company has the managerial, technical, and financial resources to provide the services as described in its Application. S.C. Code Ann. Section 58-9-280 (B) (1) (Supp. 2007).

8. The Commission finds that the Company's "provision of service will not adversely impact the availability of affordable local exchange service." S.C. Code Ann. Section 58-9-280 (B) (3) (Supp. 2007).

9. The Commission finds that the Company will support universally available telephone service at affordable rates. S.C. Code Ann. Section 58-9-280 (B) (4) (Supp. 2007).

10. The Commission finds that services to be provided by the Company will meet the service standards of the Commission. S.C. Code Ann. Section 58-9-280 (B) (2) (Supp. 2007).

11. The Commission finds that the provision of local exchange service by the Company "does not otherwise adversely impact the public interest." S.C. Code Ann. Section 58-9-280(B)(5) (Supp. 2007).

12. Following execution of a Stipulation with intervenor, South Carolina Telephone Coalition (“SCTC”), the SCTC withdrew its opposition to the Application.

### **CONCLUSIONS OF LAW**

1. The Commission concludes that the Company possesses the managerial, technical, and financial resources to provide the telecommunications services as described in its Application.

2. The Commission concludes that the Company will participate in the support of universally available telephone service at affordable rates to the extent that the Company may be required to do so by the Commission.

3. The Commission concludes that the Company will provide services which will meet the service standards of the Commission.

4. The Commission concludes that approval of the Company’s Application to provide intrastate telecommunications services within South Carolina will serve the public interest by providing for efficient use of existing telecommunications resources.

5. The Commission concludes that the provision of telecommunications service by the Company will not adversely impact the public interest.

6. The Commission concludes that the issuance of the authority to provide intrastate local exchange and interexchange telecommunications services as requested by the Company and as set forth in its Application and Mr. Karl’s testimony is in the best interest of the citizens of the State of South Carolina.

7. The Commission concludes that a Certificate of Public Convenience and Necessity should be granted to the Company to provide intrastate local exchange telecommunications services and intrastate interexchange telecommunications services.

8. The Commission adopts a rate design for the Company for its residential interexchange services which includes maximum rate levels for each tariff charge. A rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels has been previously adopted by the Commission. In Re: Application of GTE Sprint Communications Corporation, etc., Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984).

9. The Company shall not adjust its residential interexchange rates for end-users below the approved maximum level without notice to the Commission and to the public. The Company shall file its proposed rate changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. However, the public notice requirement is waived, and therefore not required, for reductions below the maximum cap in instances which do not affect the general body of subscribers or do not constitute a general rate reduction. In Re: Application of GTE Sprint Communications, etc., Order No. 93-638, issued in Docket No. 84-10-C (July 16, 1993). Any proposed increase in the maximum rate level for residential interexchange services reflected in the tariff which would be applicable to the general body of the Company's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provisions of S.C. Code Ann. §58-9-540 (Supp.2007).

10. The Commission concludes that the Company's intrastate interexchange business services, consumer card services, operator services, and private line service offerings be regulated in accordance with the principles and procedures established for alternative regulation of business service offerings set out in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C. The Commission has previously granted this "alternative regulation" to competitive intrastate interexchange carriers operating within South Carolina, and the Commission concludes that the competitive marketplace requires the Commission to allow this flexible regulation to those carriers who request it. Specifically, the Commission-approved alternative regulation allows business service offerings, including consumer card services and operator services, to be subject to a relaxed regulatory scheme identical to that granted to AT&T Communications in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C. However, pursuant to Order No. 2001-997 (Docket No. 2000-407-C), this Commission has modified alternative regulation by the re-imposition of rate caps with regard to certain "operator-assisted calls" where a customer uses a local exchange carrier's calling card to complete calls from locations which have not selected that local exchange carrier as the toll provider. Order No. 2001-997, dated November 8, 2001, imposed a maximum cap of \$1.75 for operator surcharges for such calls, and a maximum cap of \$0.35 related to the flat per-minute rate associated with these calls. Under this relaxed regulatory scheme, tariff filings for business services shall be presumed valid upon filing. The Commission will have seven (7) days in which to institute an investigation of any tariff filing. If the Commission institutes an



investigation of a particular tariff filing within the seven days, the tariff filing will then be suspended until further Order of the Commission.

11. The Commission concludes the Company's local exchange telecommunications services shall be regulated in accordance with the principles and procedures established for flexible regulation first granted to NewSouth Communications by Order No. 98-165 in Docket No. 97-467-C. Specifically, the Commission adopts for the Company's competitive intrastate local exchange services a rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels approved by the Commission. Further, the Company's local exchange service tariff filings are presumed valid upon filing, subject to the Commission's right within thirty (30) days to institute an investigation of the tariff filing, in which case the tariff filing would be suspended pending further Order of the Commission. Further, any such tariff filings will be subject to the same monitoring process as similarly situated competitive local exchange carriers.

12. We conclude that the Company's request for waiver of 26 S.C. Code Ann. Regs. 103-610 should be granted, as strict compliance with the regulation would potentially cause undue hardship on the Company. We also grant exemption from the policies requiring the use of USOA. In addition, we grant waivers of 26 S.C. Code Ann. Regs. 103-631, which requires publication of a local telephone directory and 26 S.C. Code Ann. Regs. 103-612.2.3, which requires filing service area maps.

13. The Stipulation and Settlement Agreement between the various parties should be approved.

IT IS THEREFORE ORDERED, ADJUDGED, AND DECREED THAT:

1. A Certificate of Public Convenience and Necessity should be granted to the Company to provide intrastate local exchange and interexchange telecommunications services within the State of South Carolina.
2. The Company's rate designs for its products shall conform to those designs described in Conclusions of Law above.
3. If it has not already done so by the date of issuance of this Order, the Company shall file its revised tariff, if any, and an accompanying price list for any applicable rates within thirty (30) days of receipt of this Order. The revised tariff should be electronically filed in a text searchable PDF format using the commission's DMS system (<http://dms.psc.sc.gov>). An additional copy should be sent via email to [etariff@psc.sc.gov](mailto:etariff@psc.sc.gov) to be included in the Commission's ETariff System (<http://etariff.psc.sc.gov>). Future revisions to the tariff should be made using the ETariff System. The revised tariff shall be consistent with the findings of this Order and shall be consistent with the Commission's Rules and Regulations.
4. The Company's service is subject to access charges pursuant to Commission Order No. 86-584, in which the Commission determined that, for access purposes, resellers and facilities-based interexchange carriers should be treated similarly.
5. With regard to the Company's resale of service, an end-user should be able to access another interexchange carrier or operator service provider if the end-user so desires.

6. The Company shall resell the services of only those interexchange carriers or LECs authorized to do business in South Carolina by this Commission. If the Company changes underlying carriers, it shall notify the Commission in writing.

7. With regard to the origination and termination of toll calls within the same LATA, the Company shall comply with the terms of Order No. 93-462, Order Approving Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3, 1993), with the exception of the 10-XXX intraLATA dialing requirement, which has been rendered obsolete by the toll dialing parity rules established by the FCC pursuant to the Telecommunications Act of 1996 (See, 47 CFR 51.209). Specifically, the Company shall comply with the imputation standard as adopted by Order No. 93-462 and more fully described in paragraph 4 of the Stipulation and Appendix B approved by Order No. 93-462.

8. The Company shall file annual financial information in the form of annual reports and gross receipts reports as required by the Commission. The annual report and the gross receipt report will necessitate the filing of intrastate information. Therefore, the Company shall keep financial records on an intrastate basis for South Carolina to comply with the annual report and gross receipts filings. The proper form for filing annual financial information can be found at the Commission's website at [www.psc.sc.gov/forms.asp](http://www.psc.sc.gov/forms.asp) or at the ORS's website at [www.regulatorystaff.sc.gov](http://www.regulatorystaff.sc.gov). The title of this form is "Telecommunications Company Annual Report." This form shall be utilized by the Company to file annual financial information with the Commission and ORS and shall be filed no later than April 1<sup>st</sup>.

Commission gross receipts forms are due to be filed with the Commission and ORS no later than August 31<sup>st</sup> of each year. The proper form for filing gross receipts information can be found at the ORS website at [www.regulatorystaff.sc.gov](http://www.regulatorystaff.sc.gov), and the appropriate form is entitled “Gross Receipts Form.”

Each telecommunications company certified in South Carolina is required to file annually with the ORS the Intrastate Universal Service Fund (“USF”) worksheet, which may be found on the ORS’s website at [www.regulatorystaff.sc.gov](http://www.regulatorystaff.sc.gov). This worksheet provides ORS information required to determine each telecommunications company’s liability to the State USF fund. The Intrastate USF worksheet is due to be filed annually no later than July 1<sup>st</sup> with the USF Administrator.

9. The Company shall, in compliance with Commission regulations, designate and maintain an authorized utility representative who is prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, tests and repairs. In addition, the Company shall provide to the Commission and ORS in writing the name of the authorized representative to be contacted in connection with general management duties as well as emergencies which occur during non-office hours. Sage shall file the names, addresses and telephone numbers of these representatives with the Commission within thirty (30) days of receipt of this Order. The “Authorized Utility Representative Information” form can be found at the Commission’s website at [www.psc.sc.gov/forms.asp](http://www.psc.sc.gov/forms.asp) and on ORS’s website at [www.regulatorystaff.sc.gov](http://www.regulatorystaff.sc.gov); this form shall be utilized for the provision of this information to the Commission and ORS.

Further, the Company shall promptly notify the Commission and ORS in writing if the representatives are replaced.

10. The Company is directed to comply with all Rules and Regulations of the Commission, unless a regulation is specifically waived by the Commission.

11. At the hearing, the Company requested a waiver of 26 Code Ann. Regs. 103-610 (Supp. 2007), which requires that records required by the Commission's Rules and Regulations be maintained in South Carolina. The Commission finds the Company's requested waiver reasonable and understands the potential difficulty presented to the Company should the waiver not be granted. The Commission therefore grants the requested waiver. However, the Company shall make available its books and records at all reasonable times upon request by the Office of Regulatory Staff, and the Company shall promptly notify the Commission and ORS if the location of its books and records changes.

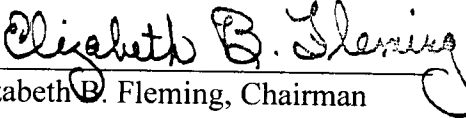
12. The Company also requests that it be exempt from record keeping policies that require a carrier to maintain its financial records in conformance with the Uniform System of Accounts. The USOA was developed by the FCC as a means of regulating telecommunications companies subject to rate base regulation. As a competitive carrier, the Company maintains its book of accounts in accordance with Generally Accepted Accounting Principles. GAAP is used extensively by interexchange carriers and other competitive telecommunications carriers. Accordingly, the Company requests an exemption from the USOA requirements. We grant the Company's request for the reasons stated above.

13. The Company is required to comply with Title 23, Chapter 47 of the South Carolina Code Annotated, which governs the establishment and implementation of a “Public Safety Communications Center,” which is more commonly known as a “911” system or “911 service.” Services available through a 911 system include law enforcement, fire, and emergency medical services. In recognition of the necessity of quality 911 services being provided to the citizens of South Carolina, the Commission hereby instructs the Company to contact the appropriate authorities regarding 911 service in the counties and cities where the Company will be operating, should the Company become interconnected to the public switched telephone network. Contact with the appropriate 911 service authorities is to be made before beginning local telephone service in South Carolina. Accompanying this Order is a memorandum from the State 911 Office of the Office of Research & Statistics of the South Carolina Budget and Control Board. This memorandum provides information about contacting County 911 Coordinators. By this Order and prior to providing local telephone services in South Carolina, the Company shall contact the 911 coordinator in each county (and city where the city has its own 911 system) and shall provide information regarding the Company’s operations as required by the 911 system.

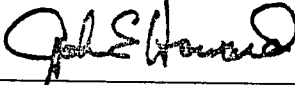
14. The Stipulation and Settlement Agreement between the various parties are hereby approved.

15. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

  
Elizabeth B. Fleming, Chairman

ATTEST:

  
\_\_\_\_\_  
John E. Howard, Vice Chairman  
(SEAL)

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
Docket No. 2008-307-C

Re: Application of Sage Spectrum, LLC, for a )  
Certificate of Public Convenience and Necessity )  
to Provide Facilities-based and Resold Local )  
Exchange, Access, and Interexchange Tele- )  
communications Services in the State of )  
South Carolina )  
\_\_\_\_\_ )

**STIPULATION**

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PUBLIC SERVICE  
COMMISSION

The South Carolina Telephone Coalition ("SCTC") (see attachment "A" for list of companies) and Sage Spectrum, LLC ("Sage Spectrum") hereby enter into the following stipulations. As a consequence of these stipulations and conditions, SCTC does not oppose Sage Spectrum's Application. SCTC and Sage Spectrum stipulate and agree as follows:

1. SCTC does not oppose the granting of a statewide Certificate of Public Convenience and Necessity to Sage Spectrum, provided the South Carolina Public Service Commission ("Commission") makes the necessary findings to justify granting of such a certificate, and provided the conditions contained within this stipulation are met.
2. Sage Spectrum stipulates and agrees that any Certificate which may be granted will authorize Sage Spectrum to provide service only to customers located in non-rural local exchange company ("LEC") service areas of South Carolina, except as provided herein.
3. Sage Spectrum stipulates that it is not asking the Commission to make a finding at this time regarding whether competition is in the public interest for rural areas.
4. Sage Spectrum stipulates and agrees that it will not provide any local service, by its own facilities or otherwise, to any customer located in a rural incumbent LEC's service area, unless and until Sage Spectrum provides such rural incumbent LEC and the Commission with written



notice of its intent to do so at least thirty (30) days prior to the date of the intended service. During such notice period, the rural incumbent LEC will have the opportunity to petition the Commission to exercise all rights afforded it under Federal and State law. Also, Sage Spectrum acknowledges that the Commission may suspend the intended date for service in rural LEC territory for ninety (90) days while the Commission conducts any proceeding incident to the Petition or upon the Commission's own Motion, provided that the Commission can further suspend the implementation date upon showing of good cause.

5. Sage Spectrum stipulates and agrees that, if Sage Spectrum gives notice that it intends to serve a customer located in a rural incumbent LEC's service area, and either (a) the Commission receives a Petition from the rural incumbent LEC to exercise its rights under Federal or State law within such 30-day period, or (b) the Commission institutes a proceeding of its own, then Sage Spectrum will not provide service to any customer located within the service area in question without prior and further Commission approval.

6. Sage Spectrum acknowledges that any right which it may have or acquire to serve a rural telephone company service area in South Carolina is subject to the conditions contained herein, and to any future policies, procedures, and guidelines relevant to such proposed service which the Commission may implement, so long as such policies, procedures, and guidelines do not conflict with Federal or State law.

7. The parties stipulate and agree that all rights under Federal and State law are reserved to the rural incumbent LECs and Sage Spectrum, and this Stipulation in no way suspends or adversely affects such rights, including any exemptions, suspensions, or modifications to which they may be entitled.

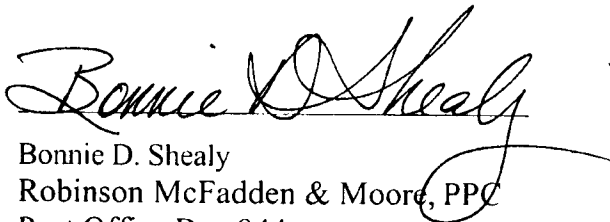
8. Sage Spectrum agrees to abide by all State and Federal laws and to participate, to the extent it may be required to do so by the Commission, in the support of universally available telephone service at affordable rates.

9. Sage Spectrum hereby amends its application and its prefiled testimony in this docket to the extent necessary to conform with this Stipulation.

AGREED AND STIPULATED to this 22<sup>d</sup> day of September, 2008.

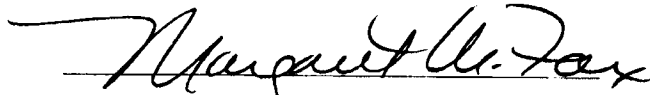
Sage Spectrum, LLC

South Carolina Telephone Coalition:



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ATTACHMENT A

South Carolina Telephone Coalition Member Companies  
for Purposes of Local Service Stipulation

Chesnee Telephone Company  
Chester Telephone Company  
Farmers Telephone Cooperative, Inc.  
Ft. Mill Telephone Company  
Home Telephone Company, Inc.  
Lancaster Telephone Company  
Lockhart Telephone Company  
McClellanville Telephone Company  
Norway Telephone Company  
Palmetto Rural Telephone Cooperative, Inc.  
Piedmont Rural Telephone Cooperative, Inc.  
Pond Branch Telephone Company  
Ridgeway Telephone Company  
Rock Hill Telephone Company  
Sandhill Telephone Cooperative, Inc.  
St. Stephen Telephone Company  
West Carolina Rural Telephone Cooperative, Inc.  
Williston Telephone Company

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2008-307-C**

<b>In Re:</b>	)	
<b>Application of Sage Spectrum LLC</b>	)	
<b>for a Certificate of Public Convenience</b>	)	
<b>and Necessity to Provide Resold and</b>	)	<b>SETTLEMENT AGREEMENT</b>
<b>Facilities-Based Local Exchange, Access,</b>	)	
<b>And Interexchange Telecommunication</b>	)	
<b>Services in the State of South Carolina</b>	)	
<b>and for Flexible and Alternative</b>	)	
<b>Regulation</b>	)	

This Settlement Agreement ("Settlement Agreement") is made by and among the Office of Regulatory Staff ("ORS") and Sage Spectrum, LLC ("Sage Spectrum" or "the Company") (collectively referred to as the "Parties" or sometimes individually as "Party");

WHEREAS, on August 7, 2008, Sage Spectrum filed its Application requesting: (i) a Certificate of Public Convenience and Necessity be granted authorizing the Company to provide resold and facilities-based local exchange, access and interexchange telecommunications services throughout the State of South Carolina; (ii) alternative regulation of its interexchange business services, consumer card services, operator services, and private line service offerings consistent with Orders 95-1734 and 96-55 in Docket No. 96-661-C as modified by Order No. 2001-997 in Docket No. 2000-407-C; (iii) flexible regulation for its local exchange telecommunications services consistent with Order No. 98-165 in Docket No. 97-467-C; (iv) waiver of certain regulations of the Public Service Commission of South Carolina ("Commission"), specifically Regulation 103-610 regarding location of records, Regulation 103-

631 concerning publishing and distributing local exchange directories, and Regulation 103-612.2.3 regarding the filing of operating maps; and (v) a waiver of any requirement to maintain financial records in conformance with the Uniform System of Accounts ("USOA");

WHEREAS, on August 12, 2008, counsel for ORS entered a Notice of Appearance in this matter;

WHEREAS, on August 13, 2008, the Commission issued its Order No. 2008-583 by which the Commission appointed David Butler, Esquire as the Hearing Examiner in this matter;

WHEREAS on August 15, 2008, the Commission issued a Notice of Filing and Hearing and established a return date of September 15, 2008, for the filing of letters of protest or petitions to intervene and established a hearing date of November 3, 2008 for the application to be heard before a hearing examiner;

WHEREAS, on September 19, 2008, the Commission issued its Order No. 2008-646 by which it subsequently appointed B. Randall Dong, Esquire as the Hearing Examiner in this matter;

WHEREAS, on September 19, 2008, the Company pre-filed the direct testimony of Andrew Karl with the Commission;

WHEREAS, the purpose of this proceeding is to review the application filed by the Company and its requests: (i) for a Certificate of Public Convenience and Necessity to provide facilities-based and resold local exchange, access, and interexchange telecommunications services within the State of South Carolina; (ii) for alternative regulation of its interexchange business services, consumer card services, operator services, and private line service offerings consistent with Orders 95-1734 and 96-55 in Docket No. 96-661-C as modified by Order No. 2001-997 in Docket No. 2000-407-C; (iii) for flexible regulation for its local exchange

telecommunications services consistent with Order No. 98-165 in Docket No. 97-467-C; (iv) for waiver of certain of the Commission Regulations, specifically Regulation 103-610 regarding location of records, Regulation 103-631 concerning publishing and distributing local exchange directories, and Regulation 103-612.2.3 regarding the filing of operating maps; and (v) for waiver of any requirement to maintain financial records in conformance with the USOA;

WHEREAS, since the filing of the notice, ORS has conducted a review of the technical, managerial, and financial expertise of the Company to provide the services requested in the Application;

WHEREAS, ORS has reviewed the Application and the financial data provided by the Company, and ORS has calculated certain performance ratios based upon information provided by the Company;

WHEREAS, ORS has investigated the services to be offered by the Company and its intended customer service plans;

WHEREAS, ORS has reviewed the proposed tariffs submitted by the Company;

WHEREAS, ORS has reviewed the prefiled testimony of Andrew Karl;

WHEREAS, as a result of its investigations, ORS has determined: (a) the Company intends to offer resold and facilities-based local, access, and long-distance telecommunications services such as residential and business local exchange services, switched outbound ("1 +” dialing), toll-free service, directory assistance services, and operator services; (b) the Company's officers possess sufficient technical and managerial abilities to adequately provide the services applied for; (c) based upon the information provided and the analysis performed, the Company appears to have access to sufficient financial resources necessary to provide the services proposed in its application; (d) the Company's proposed tariffs with the amendments as agreed to

in this Settlement Agreement comply with Commission statutes and regulations; (e) the services provided by the Company will meet the service standards required by the Commission; (f) the provision of services by the Company will not adversely impact the availability of affordable telecommunications services; (g) to the extent it is required to do so by the Commission, the Company will participate in the support of universally available telephone service at affordable rates; and (h) the provision of interexchange services by the Company will not adversely impact the public interest;

WHEREAS, to ensure compliance with the Commission's statutes and regulations, the Parties have agreed to the following comprehensive settlement of all issues in this docket;

WHEREFORE, in the spirit of compromise, the Parties hereby stipulate and agree to the following terms and conditions:

- 1) The Parties agree that Sage Spectrum's Application and exhibits to the Application are incorporated into this Settlement Agreement and made a part hereof;
- 2) The Parties agree to stipulate into the record before the Commission this Settlement Agreement. The Parties also agree to stipulate to the pre-filed testimony of the Company's witness Andrew Karl without cross-examination by ORS;
- 3) The Company has submitted financial data, which was provided as Exhibit D to its Application and which was granted Protective Treatment by Commission Hearing Examiner Directive dated August 15, 2008, and which financial data is incorporated by reference;
- 4) The Parties agree that the Company should be granted a Certificate of Public Convenience and Necessity to provide facilities-based and resold local exchange, access, and interexchange telecommunications services within the state of South Carolina;

5) The Company has requested a waiver of 26 S.C. Code Ann. Regs. 103-610 concerning the location of books and records. However, S.C. Code Ann. §58-9-380 (Supp. 2007) provides that:

Each telephone utility shall have an office in one of the counties of this State in which its property or some part thereof is located and shall keep in such office all such books, accounts, papers and records as shall reasonably be required by the Office of Regulatory Staff. No books, accounts, papers or records required by the ORS to be kept within the State shall be removed at any time from the State except upon such conditions as may be prescribed by the Office of Regulatory Staff.

ORS is agreeable to allowing the Company to maintain its books and records outside of the State of South Carolina in exchange for the Company agreeing to provide access to its books and records. ORS is agreeable to the Company maintaining its books and records at its principal offices in the State of Texas, and the Company agrees to notify the ORS of any change in the location of the principal office or in the location where the books and records are maintained. This provision of the Settlement Agreement shall not be construed as a waiver by ORS of S.C. Code Ann. § 58-4-55 (Supp. 2007) or § 58-9-1070 (Supp. 2007). ORS expressly reserves its rights to require the production of books, records and other information located within or outside of the State of South Carolina in order to carry out its duties and compliance with any state or federal regulation;

6) ORS does not oppose the Company's request for waiver of 26 S.C. Code Ann. Regs. 103-631 which requires the publication and distribution of directories, and Sage Spectrum agrees to make arrangements with publishers of local directories in South Carolina to include the names and telephone numbers of Sage Spectrum's subscribers and customers in local directories, unless a subscriber indicates his/her desire for an unpublished telephone number;



7) The Company has requested a waiver of any rule or regulation that might require a carrier to maintain its financial records in conformance with the Uniform System of Accounts (“USOA”). The Company acknowledges that S.C. Code Ann. § 58-9-340 (Supp. 2007) provides that the ORS may, in its discretion and subject to the approval of the Commission, prescribe systems of accounts to be kept by telephone utilities subject to the commission’s jurisdiction and that the ORS may prescribe the manner in which the accounts shall be kept and may require every telephone utility to keep its books, papers, and records accurately and faithfully according to the system of accounts as prescribed by the ORS. The Company agrees to keep its books, papers, and records in such a manner that permits ORS to audit its revenues and expenses for compliance with programs such as but not limited to the Universal Service Fund (“USF”), the Interim LEC Fund, dual party relay service fund, and gross receipts. The Company agrees to complete the reporting forms for such programs as but not limited to USF, dual party relay service fund, Interim LEC, and gross receipts as may be required by the ORS of telecommunications companies certificated to operate within South Carolina and as the reporting forms may be amended from time to time;

8) Given the Company’s request to provide statewide service, ORS does not oppose the Company’s request for waiver of 26 S.C. Code Ann. Regs. 103-612.2.3 which requires the filing of operating maps. However, should the Company establish local exchange service areas which differ from those of the incumbent local exchange carriers, the Company agrees it will notify the Commission and ORS of the change and file updated service maps;

9) ORS does not oppose the Company’s requests: (a) for flexible regulation for its local telecommunications service offerings consistent with Order No. 98-165 in Docket No. 97-467-C, such flexible regulation including specifically (i) adoption of a competitive rate structure

incorporating maximum rate levels with the flexibility for rate adjustment below the maximum rate levels and (ii) presumptively valid tariff filings upon filing subject to an investigation of such tariff filing being instituted within thirty (30) days and (b) for alternative regulation of its interexchange business services, consumer card services, operator services, and private line service offerings consistent with the procedures described and set forth in Orders 95-1734 and 96-55 in Docket No. 96-661-C as modified by Order No. 2001-997 in Docket No. 2000-407-C, specifically (i) regulation of these services listed above in the same manner as these services are regulated of AT&T Communications of the Southern States, Inc., (ii) removal of the maximum rate tariff requirements for Sage's business services, private line, and customer network-type offerings, except in instances governed by Order No. 2001-997 which reinstituted maximum rates for surcharges and rates associated with certain intrastate operator-assisted calls; (iii) presumptively valid tariff filings for these interexchange services unless an investigation of a particular filing is instituted within seven (7) days, in which case the tariff filing will be suspended until resolution of the investigation or until further order of the Commission; and (iv) grant Sage Spectrum the same treatment as AT&T Communications of the Southern States, Inc. in connection with any future relaxation of reporting requirements;

10) The Company agrees to resell the services only of those local exchange providers or interexchange carriers authorized to do business in South Carolina by the Commission. The Company agrees to notify ORS and the Commission, in writing, of its underlying interexchange carriers and if Sage Spectrum changes its underlying interexchange carriers;

11) The Company agrees that it will allow an end-user of resold services to access an alternative interexchange carrier or operator service provider if the end-user expresses such a desire;

12) The Company agrees to file necessary financial information with the Commission and ORS for universal service fund reporting, dual party relay service fund reporting, interim LEC fund reporting, annual reporting, gross receipts reporting, and/or any other reporting which may now or in the future be applicable to telecommunications providers such as Sage Spectrum. The Parties agree that such reports shall be filed pursuant to ORS's instructions and monies shall be remitted in accordance with the directions of the ORS and the Commission.

13) The Company agrees to maintain its books and records in a manner that would permit ORS to examine any of Sage Spectrum's reports filed with the Commission and provided to ORS.

14) The Company agrees to file with the Commission and ORS a completed authorized utility representative forms within thirty (30) days of the Commission's order.

15) In the event the Company offers prepaid calling card services in the future, Sage Spectrum agrees that it shall post a surety bond in the amount of \$5,000 as required by the Commission;

16) In the event that the Company offers local and long distance services to end users, Sage Spectrum agrees to comply with the verification regulations governing change of preferred carriers as established by Federal Communications Commission ("FCC"). In addition, in the event that Sage Spectrum offers local and long distance services to end users, the Company agrees to comply with the marketing practices and guidelines established by the Commission in Order No. 95-658;

17) The Company agrees to comply with South Carolina Code Section § 58-9-300 entitled "Abandonment of Service." Additionally, to the extent applicable, Sage Spectrum agrees to adhere to the FCC's rule 47 C.F.R. § 64.1190 and 64.1130 regarding preferred carrier freezes

and the requirement that the form of the written authorization for the institution of the freeze be a separate or easily separable document. Prior to abandonment of service, the Company shall remove any preferred carrier freeze so as to enable consumers to seamlessly transfer their telephone numbers to another provider;

18) To the extent necessary, the Company agrees to engage in good faith negotiations with non-BellSouth incumbent local exchange carriers whose networks interconnect with BellSouth at the same local tandem regarding traffic exchange;

19) The Company agrees to comply with Title 23, Chapter 47 of the South Carolina Code Annotated, which governs the establishment and implementation of a "Public Safety Communications Center," also known as 911 services." At the time the Company offers or provides any service that would implicate Title 23, Chapter 47, the Company agrees to contact the appropriate authorities regarding 911 services in the counties and cities where it will be operating prior to initiating local service in South Carolina and shall provide the 911 coordinator in each county and/or city with information regarding the Company's operations. Attached as Exhibit 1 to this Settlement Agreement is a memorandum from the State 911 Office which provides contact information for the County 911 Coordinators;

20) The Company agrees to comply with all rules and regulations of the Commission unless the Commission has expressly waived such rule or regulation;

21) The Company agrees to file a final revised tariff with both the ORS and the Commission and the revised tariff shall reflect and be in accordance with ORS's recommendations as set forth in the summary attached as Exhibit 2 to this Settlement Agreement.

22) ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10 (B). S.C. Code § 58-4-10(B)(1) through (3) read in part as follows:

... 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the Settlement Agreement reached among the Parties serves the public interest as defined above;

23) The Parties agree to advocate that the Commission accept and approve this Settlement Agreement in its entirety as a fair, reasonable and full resolution of all issues in the above-captioned proceeding and that the Commission take no action inconsistent with its adoption. The Parties further agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

24) The Parties agree that signing this Settlement Agreement will not constrain, inhibit, impair or prejudice their arguments or positions held in other collateral proceedings, nor will it constitute a precedent or evidence of acceptable practice in future proceedings. If the Commission declines to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement in its entirety without penalty or obligation.

25) This Settlement Agreement shall be interpreted according to South Carolina law.

26) The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by affixing its signature or by authorizing counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and email signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the original signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement. The Parties agree that in the event any Party should fail to indicate its consent to this Settlement Agreement and the terms contained herein, then this Settlement Agreement shall be null and void and will not be binding on any Party.

WE AGREE:

**Representing the Office of Regulatory Staff**Shealy Boland Reibold

Shealy Boland Reibold, Esquire

Office of Regulatory Staff

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Columbia, SC 29201

Telephone: (803) 737-0863

Fax: (803) 737-0895

Email: [sreibol@regstaff.sc.gov](mailto:sreibol@regstaff.sc.gov)10/1/08

Date

WE AGREE:

**Representing Sage Spectrum, LLC**Bonnie D. Shealy

Bonnie D. Shealy, Esquire

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Date

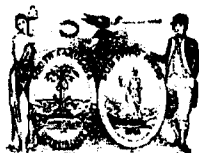
STATE OF SOUTH CAROLINA  
*State Budget and Control Board*  
OFFICE OF RESEARCH & STATISTICS

**EXHIBIT 1**

MARK SANFORD, CHAIRMAN  
GOVERNOR

GRADY L. PATTERSON, JR.  
STATE TREASURER

RICHARD ECKSTROM  
COMPTROLLER GENERAL



HUGH K. LEATHERMAN, SR.  
CHAIRMAN, SENATE FINANCE COMMITTEE

ROBERT W. HARRELL, JR.  
CHAIRMAN, WAYS AND MEANS COMMITTEE

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EXECUTIVE DIRECTOR

REMBERT C. DENNIS BUILDING  
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COLUMBIA, SOUTH CAROLINA 29201

Bobby Bowers  
DIRECTOR

August 2, 2004

To: Telephone Companies New to South Carolina

In an effort to continue providing quality emergency services to the citizens of South Carolina, the State 911 Office requests that before beginning telephone services in a county, you contact the 911 Coordinator in that county. This will allow both parties to obtain important information about providing 911 services in that county. If you have already begun services, then contact the coordinator as soon as possible.

A list of County 911 Coordinators can be found on the South Carolina E911 homepage at [www.ors.state.sc.us/digital/E-911.ASP](http://www.ors.state.sc.us/digital/E-911.ASP). If you have any questions related to 911 in South Carolina, you may contact E911 Coordinations at the Office of Research and Statistics at 803-734-3883. The person responsible for this can also be found on the 911 homepage. Please be aware that some cities may have their own E911 systems, these are also listed on the 911 homepage. These city coordinators will need to be contacted in addition to the county coordinators.

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**Recommendations for Sage Spectrum's Local Exchange Tariff No. 1**

**Original Page No. 1**—The Company should include a regulatory contact phone number on the title page.

**Section 1—Definitions and Abbreviations**

--There are no recommendations for Section 1.

**Section 2—Rules and Regulations**

**Original Page No. 26 2.11.2**—The Company should modify the third sentence in the paragraph as follows—"This 30 day period will begin upon receipt of notification from the Customer." (SC Reg. 103-624.3 provides that notification may be written or oral)

**Section 3—Description of Services**

**Original Page No. 61 3.1.15**—The Company should include a maximum as well as a current rate for the \$25 per line Dual Service Charge.

**Section 4—Rates and Charges**

--There are no recommendations for Section 4.

**Section 5—Maximum Rates**

--There are no recommendations for Section 5.

**Recommendations for Sage Spectrum's Interexchange Tariff No. 2**

**Original Page No. 1**—The Company should include a regulatory contact phone number on the title page.

**Original Page No. 2**—The Company should modify the first sentence to reflect 34 tariff pages.

**Section 1—Definitions**

**Original Page No. 8**—The Company should correct the spelling for the term "geographic" in the definition for "Exchange".

**Section 2-Rules and Regulations**

--There are no recommendations for Section 2.

**Section 3—Description of Services**

**Original Page No. 29 3.2.9**—The Company should modify the sentence as follows—“Toll Calls are billed in sixty (60) second increments.”

**Section 4—Rates and Charges**

--There are no recommendations for Section 4.

**Section 5—Maximum Rates**

**Original Page No. 32 5.1**—Maximum rates are not necessary for this service if the service provided is exclusive to business. If there are any residential customers, maximum rates are required.

**Original Page No. 32 5.2**—Maximum rates are not necessary for this service if the service provided is exclusive to business. If there are any residential customers, maximum rates are required.

**Original Page No. 32 5.3**—A Maximum Rate for the “Business Rate Reconnection Fee” is not required.

**Original Page No. 33 5.4**—Maximum Rates are not required for Directory Assistance.

**Original Page No. 33 5.5**—Maximum Rates are not required for Operator Services.

**Section 6—Promotions and Discounts**

**Original Page No. 34**—The Company should delete the following sentence from the first paragraph—“Promotions will be filed as separate tariff sheets under this Section 5.”

**Recommendations for Sage Spectrum’s Access Tariff No. 3**

**Original Page No. 1**—The Company should include a regulatory contact phone number on the title page.

**Section 1 Definition and Abbreviations**

--There are no recommendations to Section 1.

**Section 2—Rules and Regulations**

**Original Page No. 38 2.15.2**—The Company should include a maximum as well as a current rate for the restoration fee.

**Section 3—Switched Access Service**

--There are no recommendations for Section 3.

**Section 4—Rates and Charges**

--There are no recommendations for Section 4.

**Section 5—Maximum Rates and Charges**

--There are no recommendations for Section 5.

**Section 6—Special Contracts, Arrangements, and Construction**

--There are no recommendations for Section 6.

**Additional Recommendations for Local, Access, and Interexchange Tariffs**

- 1) If the Company charges any installation, connection, maintenance, termination, or other charges (in addition to the services listed in the tariff), these additional charges and the descriptions of the charges should be listed in the tariff with their current and maximum rates.
- 2) The Company is applying for Flexible Regulation. Therefore, the Company will include maximum rates as well as current rates for all services within the Local Exchange Tariff and Access Exchange Tariff that are not exclusively ICB.
- 3) The Company should also provide tariffs and tariff revisions to the South Carolina Public Service Commission as well as the South Carolina Office of Regulatory Staff (SC Reg. 103-629).
- 4) The Company is applying for Alternative Regulation. Therefore, the Company will include maximum rates as well as current rates for any *residential* services within the Interexchange Tariff.
- 5) If the Company's Services involve Prepaid Calling Cards, the Company will be required to post a \$5, 000 Surety Bond with the Public Service Commission.